CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

South Fulton Village Apartments, located at 10829 Fulton Wells Avenue in Santa Fe Springs, requested and is being recommended for a reservation of $179,684 in annual federal tax credits to finance the acquisition and rehabilitation of 56 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Standard Property Company, Inc. and is located in Senate District 32 and Assembly District 57.

Project Number CA-16-988

Project Name South Fulton Village Apartments
Site Address: 10829 Fulton Wells Ave.
Santa Fe Springs, CA 90670 County: Los Angeles
Census Tract: 5028.020

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$179,684	$0
Recommended:	$179,684	$0

Applicant Information
Applicant: Standard SFV Venture LP
Contact: Keith Dragoon
Address: 1901 Avenue of the Stars, Suite 395
Los Angeles, CA 90067
Phone: (310) 553-5711 Fax: (310) 551-1666
Email: kdragoon@standardproperty.com

General Partner(s) or Principal Owner(s): Standard SFV Manager LP
Pacific Southwest Community Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Standard Property Company, Inc.
Pacific Southwest Community Development Corporation
Developer: Standard Property Company, Inc.
Investors: 119 Hester Street LLC
Hester RB LLC
Standard Hester LLC
FRG South Fulton LLC
Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	16	
Total # of Units:	280	
No. & % of Tax Credit Units:	56	20.07%
Federal Set-Aside Elected:	20%/50%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 56

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 31, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Jack Waegell

Unit Mix

224	1-Bedroom Units
56	2-Bedroom Units
280	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
45	1 Bedroom	50%	50%	$814
11	2 Bedrooms	50%	50%	$977
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,250
179	1 Bedroom	Market Rate Unit	Market Rate Unit	$1,125
44	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,250

Project Cost Summary at Application	
Land and Acquisition	$47,942,506
Construction Costs	$0
Rehabilitation Costs	$5,100,276
Construction Contingency	$0
Relocation	$0
Architectural/Engineering	$165,542
Const. Interest, Perm. Financing	$535,850
Legal Fees, Appraisals	$188,000
Reserves	$771,281
Other Costs	$80,680
Developer Fee	$475,000
Commercial Costs	$0
Total	**$55,259,135**

Project Financing	
Estimated Total Project Cost:	$55,259,135
Estimated Residential Project Cost:	$55,259,135
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$27
Per Unit Cost:	$197,354
True Cash Per Unit Cost*:	$197,354

Construction Financing

Source	Amount
Jones Lang LaSalle Multifamily, LLC	$38,000,000
Subordinate Tax-Exempt Loan	$5,724,973
Limited Partner Equity	$9,737,322
Tax Credit Equity	$1,796,840

Permanent Financing

Source	Amount
Jones Lang LaSalle Multifamily, LLC	$38,000,000
Subordinate Tax-Exempt Loan	$5,724,973
Limited Partner Equity	$9,737,322
Tax Credit Equity	$1,796,840
TOTAL	**$55,259,135**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,821,206
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$21,726,750
Applicable Fraction:	20.07%
Qualified Basis (Rehabilitation):	$1,168,291
Qualified Basis (Acquisition):	$4,360,466
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$37,969
Maximum Annual Federal Credit, Acquisition:	$141,715
Total Maximum Annual Federal Credit:	$179,684
Approved Developer Fee (in Project Cost & Eligible Basis):	$475,000
Investors:	119 Hester Street LLC
	Hester RB LLC
	Standard Hester LLC
	FRG South Fulton LLC
Federal Tax Credit Factor:	$1.00000

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$27,547,956
Actual Eligible Basis:	$27,547,956
Unadjusted Threshold Basis Limit:	$64,774,528
Total Adjusted Threshold Basis Limit:	$77,729,434

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses are below TCAC's minimum operating expenses established in the Regulations (see "**Special Issues/Other Significant Information**"), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

This project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,200. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,570 in agreement with the permanent lender and equity investor.

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Local Reviewing Agency

The Local Reviewing Agency, the City of Santa Fe Springs, has completed a site review of this project and took no position on this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	**State Tax Credits/Total**
$179,684	**$0**

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.